



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

## BULLETIN

April 2017

# Contents

From the desk of the Chief Executive.....	3
<b>1 TRANSFORMATION AND GOVERNANCE RISKS .....</b>	<b>4</b>
1.1 Council for Medical Schemes Publishes Demarcation Exemption Framework .....	4
<b>2 INSURANCE RISKS .....</b>	<b>5</b>
2.1 The importance of developing insurance products for the poor .....	5
<b>3 CONSUMER EDUCATION.....</b>	<b>7</b>
3.1 Next of Next week Roadshow 2.0.....	7
3.2 Manage My Finances.....	7
3.3 Consumer Education Website .....	7
3.4 Consumer Education Brochures.....	7
3.5 Consumer Education App .....	8
3.6 Access Standards.....	8
3.7 Enterprise Development .....	8
3.8 Financial Sector Code (FSC) Update .....	8
<b>4 STAKEHOLDER RELATIONS AND COMMUNICATION.....</b>	<b>9</b>
4.1 Upcoming Events.....	9
<b>5 FORUM UPDATES .....</b>	<b>9</b>
5.1 VESA / ABS - NEW ELECTRONIC STANDARDS.....	9



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

## From the desk of the Chief Executive

There is little doubt that the recent cabinet reshuffle and credit rating downgrade announcement has brought a lot of concern for many South Africans, the far-reaching effects of which will be felt by the economy and society at large for some time. It is important that all leaders in government, business, organised labour and civil society, who have the interest of our country and all its citizens at heart, stand together to ensure that South Africa is on the right path to achieve a stable and sustainable political, social and economic environment for all South Africans.

We have attended the first two sessions held on “Transformation of the Financial Sector” in Parliament on 14 and 22 March 2017, in the form of public hearings arranged by the Standing Committee on Finance and the Portfolio Committee on Trade and Industry. It has become clear at these sessions that transformation of the financial sector remains, and will continue to remain a key priority. A third public hearing is planned for 3 May, and we encourage our members to attend to get firsthand knowledge of the perceptions and issues being raised by various role players. On 3 May, amongst others, the South African Auto Repairer and Salvage Association (SAARSA), the Retail Auto Aftermarket Federation (RAAF), and the South African Builders Contractors and Civils Association (SABCCA) will present, and we are again expecting an uncomfortable conversation.

As the short-term insurance industry body, we remain committed to finding solutions that will enable sustainable and inclusive economic growth. This is why the SAIA Board has dedicated an ad hoc SAIA Board meeting on 23 February 2017, and most of the SAIA Board meeting and Board Strategy Session on 28 March 2017 to the important topic of the industry’s contribution to sustainable economic transformation.

We are also continuing with our high priority projects that speak to the priority areas identified by the SAIA Board as areas in which our industry is uniquely placed to make a meaningful difference, including the Motor Transformation and Sustainability Forum, and its equivalent in the non-motor environment, which seek to address the role we can (and should) play as an industry with regards to supporting medium and small black owned businesses with the goal to contribute to job creation and a more inclusive economy through both procurement and enterprise development.

We are excited to be hosting our inaugural SAIA Indaba on Wednesday, 10 May 2017, at the FNB Conference Centre in Sandton. This event will provide a platform to have an open dialogue with key stakeholders, including government representation headed by the Minister in the Presidency, Jeff Radebe. Key on the agenda will be the objectives of the National Development Plan (NDP) in relation to economic transformation and how our industry is supporting this. We urge you not to miss out on this important industry event.



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

Finally, as we approach the Easter holidays, we encourage everyone to keep safe and to ensure the safety of others, while enjoying the last days of summer.

Happy Holidays!

Viviene

---

## 1 TRANSFORMATION AND GOVERNANCE RISKS

### 1.1 Council for Medical Schemes Publishes Demarcation Exemption Framework

The Council for Medical Schemes (CMS) issued Circular 19 of 2017 on 15 March 2017 in respect of the Demarcation Exemption Framework, including the Guideline: Framework for Exemption of Providers of Indemnity Products that conduct the Business of a Medical Scheme from provisions of the Medical Schemes Act (MSA) 131 of 1998.

The guideline stipulates that an application for exemption may only be granted by the CMS on the completion of the following two-stage process:

An applicant is required to submit basic information before 31 March 2017. The CMS may grant an exemption to providers of indemnity products, who conduct the “business of a medical scheme”. This exemption is on condition that the applicant complies with the second set of requirements within 30 days from the date of the exemption being granted; and

Applicants are thereafter required to submit extensive information, including fair treatment of policyholders and acting in their best interest; as well as also set out a case for exceptional circumstances to justify a need for exemption.

The MSA defines the “business of a medical scheme” as follows:

“Business of a medical scheme” means the business of undertaking, in return for a premium or contribution, the liability associated with one or more of the following activities:

- (a) providing for the obtaining of any relevant health service;
- (b) granting assistance in defraying expenditure incurred in connection with the rendering of any relevant health service; or



**SAIA**

SOUTH AFRICAN INSURANCE ASSOCIATION

- (c) rendering a relevant health service, either by the medical scheme itself, or by any supplier or group of suppliers of a relevant health service or by any person, in association with or in terms of an agreement with a medical scheme;”

The amended definition of “business of a medical scheme” will become effective on the same day as the Demarcation Regulations, which is 1 April 2017.

Members of the SAIA Health Insurance Forum have raised various queries in respect of the Demarcation Exemption Framework including practical issues that may arise in the application process. The SAIA is therefore requesting a meeting with the CMS to discuss the issues raised by its members.

The link to the Exemption application on the CMS’ website is:

<https://www.medicalschemes.com/demarcation>

☞ For more information contact Easvarie Naidoo

✉ [Easvarie@saia.co.za](mailto:Easvarie@saia.co.za)

## **2 INSURANCE RISKS**

### **2.1 The importance of developing insurance products for the poor**

I've worked in the short-term insurance industry for the past 23 years, and like most consumers, insurance was a grudge purchase for me, until I started my MBA research project. What I've learnt in the space of eight months has changed my perspective about insurance completely.

If I had to define insurance today, I would say: *Insurance is a financial tool that helps consumers pick up where they left off, after a loss.* Without insurance, every time you experienced a major loss, you'd have to start all over again. In fact, this is what the poorest of the poor around the world face every time their shacks burn down or they lose a breadwinner. In a financially driven world, economic growth means having access to money to be able to take your children to school, feed your family, purchase income producing assets, etc. When a loss occurs, the poorest are drawn back to the cycle of poverty, which means the money that could have helped them move to a more secure place, or take their children to school, must now be used *to help them start afresh.*



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

The insurance industry has its own challenges in coming up with suitable products to service this market segment. The biggest challenges, of course, are juggling the cost of servicing this market, while ensuring that premiums are affordable and products value adding, with the objective of running profitable business models.

Some of the contributors to the costs are:

Suitable and efficient distribution channels – how do you send a policy document to someone without an address?

Claims management – how does one assess claims without having to send assessors to deep rural areas?

Cost of collecting premiums

Lack of infrastructure – how does an insurer locate a property that does not have a physical address?

Lack of knowledge about these consumers - if we do not know how this market segment currently copes with various risks, we won't be able to create suitable and affordable products

Consumer education - while a lot of money has been spent in this initiative, has it resulted in an increase in demand for insurance products?

Current insurance business models have been successful in creating a profitable industry, especially in South Africa. However, these models were created for the middle to upper classes of our society. They cannot be replicated in rural areas, or squatter camps.

A 2016 report on the South African Insurance Industry (Oxford Business Group, 2016), highlights that although the industry is sophisticated, has access to mature regulation with a premium-to-GDP ratio, which is one of the highest in the world; there is still limited financial inclusion in the country, with many citizens uninsured or underinsured. A recent survey by the FinMark Trust (2016) revealed that only 22% of adult South Africans had an insurance policy outside funeral cover.

Hence the need for new minds in the industry that are willing to look at this market segment with fresh eyes, and collaborate across sectors, with government; Mobile Network Operators; financial institutions; etc., to come up with new innovative products and service models. The poorest of the poor are not the government's problem, as the current rhetoric goes, they simply require those with the will and money to commit to working together to find solutions that will benefit not just this market, but the economy at large.

Note: please follow the conversation on LinkedIn - <https://www.linkedin.com/pulse/importance-developing-insurance-products-poor-gigaba-mba-candidate>

👉 For more information contact Zanele Gigaba



[Zanele@saia.co.za](mailto:Zanele@saia.co.za)



**SAIA**

SOUTH AFRICAN INSURANCE ASSOCIATION

### **3 CONSUMER EDUCATION**

#### **3.1 Next of Next week Roadshow 2.0**

Work has commenced on the industrial theatre project and the first event is set for 21 July 2017. To get the 'show on the road,' production company Diprente, is looking for suitable spaces and a central booking system. Universities are being considered as possible venues.

#### **3.2 Manage My Finances**

Bright Media has started developing the material for both the schools' Technical Maths resource as well as books for the tertiary project.

The materials were ready for sign-off in March 2017 and training will commence in May 2017.

#### **3.3 Consumer Education Website**

The development of the website is in progress. Knowyourinsurance.co.za has been registered as the primary domain name for the website and we are looking forward to building this as an educational platform.

#### **3.4 Consumer Education Brochures**

The new brochures have been designed and printed. These include:

- What is insurance?
- Home Owners Insurance
- Household Contents Insurance
- Motor Insurance
- Personal Accident, Personal Liability and All Risks Insurance
- Travel Insurance

The brochures will be uploaded to the SAIA website as well as Consumer Education Website. The brochures will also be distributed during the Next of Next Week industrial theatre events.



**SAIA**

SOUTH AFRICAN INSURANCE ASSOCIATION

### **3.5 Consumer Education App**

The SAIA Consumer Education App, called Insurance101, has been finalised and is currently available on Google Play Store. The App will shortly be submitted to the iStore for inclusion and should be live by the end of April 2017.

### **3.6 Access Standards**

The Access Standards have been approved and will come into effect once the amended FSC is gazetted.

### **3.7 Enterprise Development**

SAIA is in the process of raising funds for the Enterprise Development Project for Motor Body Repairers.

### **3.8 Financial Sector Code (FSC) Update**

The FSC has been approved and submitted to the Minister of Finance and is awaiting final approval and gazetting by the Department of Trade and Industry (Dti).

☎ For more information contact Leila Moonda

✉ [Leila@saia.co.za](mailto:Leila@saia.co.za)



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

## 4 STAKEHOLDER RELATIONS AND COMMUNICATION

### 4.1 Upcoming Events

- 4.1.1 The SAIA Indaba – 10 May 2017 at FNB Conference Centre, 114 Grayston Drive, Sandton.
- 4.1.2 SAIA Annual General Meeting (AGM) and Annual Cocktail Function – 20 July 2017 at The Venue Green Park, 20<sup>th</sup> Floor, Cnr West Rd South & Lower Road, Morningside.
- 4.1.3 The Insurance Conference 2017 – 23 to 26 July 2017 at Sun City.
- 4.1.4 SAIA CEO Roundtable - 7 September 2017 at The Hilton, 138 Rivonia Road, Sandton.

☞ For more information contact Lelo Ntshalintshali  
✉ [Lelo@saia.co.za](mailto:Lelo@saia.co.za)

## 5 FORUM UPDATES

### 5.1 VESA / ABS - NEW ELECTRONIC STANDARDS

Although factory-fitted vehicle security technology has improved, there are still high numbers of vehicles being stolen in the country, hence the need for additional vehicle security. The Motor Vehicle Security Association of South Africa (VESA) and its test house, the Accreditation Bureau for South Africa (ABS), have recently launched new specifications for Electronic Alarm and Immobiliser vehicle security devices. These specifications will provide the consumer with a larger range of VESA Approved\* vehicle security devices, which act as supplementary security for:

Vehicles that already have factory-fitted transponder based systems (transponder keys).

Vehicles that are deemed as high-risk even though they have transponder keys but need additional protection against key theft.

Vehicles that don't have transponder based systems and that are older than 2005.



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

These supplementary security standards are explained in detail on the website <http://www.vesa.co.za/>  
Changes occur to the lists of suppliers and products on a regular basis.

For Further Information: Adri Smit

E-mail: [adris@vesa.co.za](mailto:adris@vesa.co.za) or 011 315 3588

☞ For more information contact Promise Mhlanga

✉ [Promise@saia.co.za](mailto:Promise@saia.co.za)

---

#### IMPORTANT NOTICE

For information on the SAIA bulletin or content  
published herein Contact Lelo Ntshalintshali

✉ E-mail: [lelo@saia.co.za](mailto:lelo@saia.co.za) ☎ Tel: (011) 726 5381

☎ Fax: 086 647 2275

[www.saia.co.za](http://www.saia.co.za)

#122839



**COPYRIGHT WARNING NOTICE** Copyright subsists in this Bulletin. No part of the Bulletin may be reproduced, transmitted or downloaded in any form or by any means, without the permission of SAIA.

© 1999-2016